

Commonwealth of Massachusetts
Department of Telecommunications and Energy
Fitchburg Gas and Electric Light Company d/b/a Unitil
Docket No: D.T.E. 04-48
Record Requests from August 17, 2004 Hearing

Request No. RR-AG-3

Please provide the assumed return on equity and debt securities that went into the expected long term rate of return on plan assets on Page 123.14 of the Fitchburg Gas and Electric Light Company 2003 FERC Form 1 (Exhibit AG-8).

Response:

The Company does not explicitly determine a return on equity or debt components of the portfolio in determining the expected long-term rate of return on plan assets (ROA). However, the Company's investment adviser, SEI's, published median scenario return for a 60% equity portfolio is 8.50% and the median return for a 70% equity portfolio is 8.75%. The Company's ROA of 8.75% is at the high end of this range.

The Company is required, under FAS 87, to disclose an explicit assumption on ROA. In selecting the ROA, the Company reviews several factors including:

- Recent ROA directional changes and related assumptions used by other plan sponsors having similar portfolios.
- Historical pension plan portfolio performance
- Current market returns and interest rate levels.
- Inflation expectations.

The Company discusses these factors with its actuaries and accountants and, based in part on their guidance and advice and the Company's informed judgment, sets an appropriate ROA for the plan.

Person Responsible: Laurence M. Brock

Date: August 19, 2004